Global Capability Centres in India: A Futuristic Analysis

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Abstract

Global Capability Centres (GCCs) have evolved from being regarded merely as instruments for cost reduction to being the drivers of innovation and transformation. This article seeks to give a broad-based perspective on the prospects of GCCs in India. The outlook for GCCs in India is optimistic, as a growing number of international firms are seeking to establish their GCCs in the country. This trend is anticipated to create job opportunities and increase socio-economic benefits for India. With a skilled English-speaking workforce, India is on the cusp of becoming the next 'Silicon Valley of GCCs', with various innovation and talent hubs developing throughout the country. This progress may lead to enhanced socio-economic conditions in both Tier-I and Tier-II cities. However, despite significant advancements, GCCs have not yet attained widespread recognition in the country. They encounter several challenges, including inadequate collaboration between parent organisations and GCCs, difficulties in transitioning back to on-site work from hybrid or remote arrangements, decline in service quality due to prolonged remote work, hurdles in implementing transformation and automation initiatives at the necessary speed, obstacles in scaling or resuming support services and reduced worker productivity stemming from extended remote work and weakened cross-functional collaboration. To overcome these challenges, proactive measures from industry stakeholders will be essential. These may involve monitoring employee productivity and satisfaction through online proctoring and regular meetings in hybrid or remote work environments and improving collaboration between GCCs and their parent organisations through consistent communication and feedback.

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Introduction

Global Capability Centres (GCCs) are offshore facilities set up by Multinational Corporations (MNCs) to manage a variety of business operations for their parent organisation(s). In the past, these functioned as back offices and support centres for different business tasks. Currently, GCCs are helping India become a leading destination for global corporations seeking to establish Centres of Excellence (CoEs) across diverse domains such as Research and Development (R&D), Business Process Management (BPM), Information Technology (IT), Human Resources (HR) and Banking and Financial Services (BFS). The overarching objective of these facilities is to attract a vast talent pool, ensure cost-effectiveness in daily business operations, innovate and be able to maintain agility in businesses (HSBC, 2024). This analysis seeks to discuss the present and future of GCCs in India with a view to better equip modern-day managers with the latest undercurrents in the world of business. Given the relative paucity of literature on the topic within scholarly circles, this study seeks to bridge the gap regarding learning on the same.

Prior to undertaking an in-depth analysis of GCCs in upcoming segments, it is vital to understand the organisational and functional composition of the same. The GCCs are structured as follows. First, their leadership comprises senior executives the likes of the Managing Director/Vice President, who ensure overall alignment with the company's goals (HSBC, 2024). Second, different departmental heads like IT, Finance, HR, R&D and Operations have leaders reporting to the overall heads. Third, teams are organised based on specific functions/projects (HSBC, 2024). In addition, there are majorly three practical divisions of any GCC, namely, core, support and cross-functional. Core functions include critical business operations like software development, data analytics, cyber security and R&D. Support functions comprise HR, legal, finance and administrative services to support core functional activities. Cross-functional teams address intricate and multi-disciplinary projects requiring collaboration across different functional areas (HSBC, 2024).

This perspective is divided into the following segments. First, the subject of this study is introduced. Second, themes are identified based on available literature. Third, a conclusion is drawn based on the reviewed literature and last, future policy implications of the study are discussed.

The next section coalesces existing literature on the theme.

GCCs in India: A Review

The following passages seek to explain the fundamental structure, functions and benefits of GCCs with special reference to India.

Operation of GCCs

The operation of GCCs is a manifold process. First, integration with the parent company involves the GCCs closely aligning their goals and objectives with the overall business strategy and relying on robust communication channels and

reporting mechanisms so as to maintain transparency and alignment. Second, talent management revolves around recruiting highly skilled professionals and ensuring their continuous upskilling/reskilling. Third, operational efficiencies entail implementing standardised processes and best practices, greater adoption and use of advanced technologies of the likes of Artificial Intelligence (AI), cloud computing and machine learning, regularly monitoring and evaluating performance through Key Performance Indicators (KPIs). Fourth, GCCs also need to be innovative for which they need to indulge in cutting-edge research and collaboration with internal and external industry stakeholders. Last, robust governance and compliance through effective regulation, risk assessment and mitigation and data security are imperative for effective operations of GCCs (HSBC, 2024).

Major Functions of GCCs

GCCs permit companies to focus on their core competencies while using their multifaceted expertise across diverse domains/regions. Some of the major functions of GCCs could be listed as follows: IT services (for development of applications, infrastructure management, IT support and cyber security), R&D (for technological advancement), engineering services (for expertise in software development, product design, testing and validation), finance and accounting (for accounting, budgeting, tax compliance and treasury management), analytics and data management (for data analytics and intelligent business decision making), customer support (e.g., customer help desk), Human Resource Management (for efficient administration of recruitment, training, talent management, employee relations, payroll and benefits), procurement and supply chain management (for overseeing procurement processes, inventories, logistics and relationship management), compliance and risk management (for ensuring functional regulatory compliance, governance framework, risk management and data security), Business Process Outsourcing (for outsourcing non-core businesses of the likes of finance, Human Resources, customer support, back-office operations and procurement) (HSBC, 2024).

Benefits of GCCs

The advantages of GCCs in India are significant for organisational success, as they offer specialised services in IT, research and development, finance, customer support and data analytics. By utilising these centres' expertise and resources, companies can drive technological progress, enhance workforce skills and implement transformative business functions. The benefits of GCCs could be briefly summarised as follows.

First, GCCs provide access to a diverse talent pool. India, with its numerous cities specialising in various industries, provides GCCs with a rich and varied talent pool possessing expertise across multiple domains. For instance, Microsoft's GCC in India focuses on core software development, leveraging the skills of local software engineers (HSBC, 2024). Second, GCCs result in cost efficiencies.

These centres improve operational effectiveness by utilising strategically located, cost-efficient environments and streamlined processes. These result in standardised practices, lower overhead costs and substantial financial savings. For example, accenture operates several GCCs in India, enabling it to deliver cost-effective solutions on a global scale. Third, GCCs foster innovation. GCCs encourage the creation and implementation of cutting-edge technologies by promoting creativity, experimentation, and collaboration, thereby pushing technological limits and influencing future developments. A notable example is Alvarez & Marsel (A&M), which established its first GCC in India to enhance global service delivery and innovation across various regions, ultimately benefiting clients. Fourth, GCCs enable with achieving operational excellence. These centres implement best practices, robust processes, and high-quality standards, emphasising continuous improvement, automation and efficiency. This focus enables organisations to meet their goals and establish new performance benchmarks. Similarly, Infosys optimises its GCCs in India to provide global IT solutions and consulting, emphasising operational efficiency through stringent quality control and ongoing enhancement. Fifth, GCCs aid with supporting strategic initiatives. These initiatives are closely aligned with key business objectives such as digital transformation, market expansion and product development. They enable organisations to achieve their strategic aims and sustain a competitive advantage. Sixth, GCCs lead to global collaboration and integration. GCCs promote cross-functional teamwork, facilitate knowledge exchange and encourage the implementation of best practices, thereby, enhancing competitive positioning. Nvidia is actively partnering with prominent Indian firms like Reliance and Tata Group to develop state-of-the-art AI data centres and computing infrastructure. Last, GCCs help with attaining agility and scalability. Organisations are able to swiftly adapt to market fluctuations and evolving customer demands. They offer flexible resource management, prompt solution implementation and scalable operations. For example, AMD is establishing its largest global design centre in Bengaluru, which is expected to employ approximately 3,000 engineers (HSBC, 2024).

GCCs and India: The Future Ahead

India and GCCs share a very unique relationship. The poster boy of India's then budding romance with GCCs some forty years ago, Texas Instruments at Bengaluru, made the city a leading global hub in innovation and R&D operations, thereby helping to generate tech jobs in the country as also solidifying its position as a hub for advanced technological development. The country has travelled a long way since then and is now home to some 1,600 GCCs across the length and breadth of its landmass (a majority of these are located in Bengaluru, Chennai, Delhi-NCR region, Hyderabad, Mumbai and Pune). This number is expected to go up to 1,900 by next year. The combined market size of the GCCs is now close to US$ 60 Billion. In addition, they had provided employment to around 1.6 million aspirants till 2024. Even the latest Economic Survey of India points towards GCCs as a major driver of the country's future socio-economic prosperity with an

expected revenue generation of approximately US$ 121 Billion or about 3.5% of India's current GDP by 2030. In addition, there has been a healthy growth in salaries in the sector. From 2020 to 2024, salaries in GCCs across India have increased by 9.5% to 10.7% (Phadnis, 2024).

To further the prospects of GCCs in India, the country has recently undertaken several concrete measures in this regard. Some of the provisions listed in Union Budget 2022–2023 could be singled out in this regard. First, setting up of world class universities in the GIFT City in Gujarat may facilitate easier flow of skilled manpower across financial services space. Second, international arbitration centre at GIFT City may strengthen the dispute resolution mechanisms and thereby, enhance ease of doing business. Third, major upskilling/reskilling programmes may enhance skill accessibility for GCCs across India. Fourth, increased emphasis on R&D in sunrise sectors of the likes of AI, geospatial systems and drones shall boost GCCs in these areas (Pillay, 2022).

The outlook for GCCs in India is highly promising, with substantial growth anticipated. With 50% of the world's GCCs situated in India, the country has firmed its reputation as the global capital for GCCs. Established centres in major cities such as Bengaluru, Delhi, Hyderabad, Chennai and Mumbai are flourishing, while emerging tier-II cities like Vishakhapatnam, Jaipur and Coimbatore are becoming increasingly attractive for new enterprises, thanks to enhanced infrastructure, favourable state policies and lower costs associated with real estate and labour. GCCs are set to prioritise ongoing enhancements, automation and operational efficiencies to minimise expenses and boost productivity, all while placing a strong emphasis on sustainable practices. This growth trajectory is expected to generate a wealth of job opportunities and promote skill development, positioning India as a pivotal player in the global business and IT services landscape (HSBC, 2024; Vidya, 2024).

The next section concludes this perspective.

Conclusion

From being seen merely as instruments for achieving cost arbitrage, GCCs are evolving into vehicles of innovation and transformation. The outlook for GCCs in the country remains upbeat, with a growing number of global firms seeking to establish their GCCs in India. In the process, they would create job opportunities and also higher socio-economic value addition for the country (Sen & Mehra, 2022).

GCCs would continue to make their presence felt across India, thanks to their emergent focus on the four pillars of strategy, digitalisation, data and cyber security and talent acquisition and retention. With a skilled English-speaking workforce, India may soon become the 'Silicon Valley of GCCs', with several hotspots of innovation and talent smattered across the country. The same may translate into better socio-economic prospects for both Tier-I and II cities in India (Sen & Mehra, 2022).

The last section lists the future policy implications of this article.

Future Policy Implications

Notable achievements aside, GCCs are yet to fully gain coinage in India. There are some challenges that GCCs in the country might face. First, lack of collaboration between parent organisations and GCCs. Second, disruptions while returning to on-site office models from hybrid or remote working arrangements. Third, drop in service quality due to prolonged periods of remote work under 'work from home' office models. Fourth, inability to deliver transformation/automation programmes at desired pace. Fifth, inability to scale/resume services for support functions and facilities. Last, reduced worker productivity owing to prolonged hours under 'work from home' and reduced cross-functional collaboration (Sen & Mehra, 2022).

The aforementioned challenges could be met with the help of proactive responses from industry stakeholders. First, monitor worker productivity through online proctoring and regular meetings, if work arrangement is of hybrid or 'work from home' varieties. Second, improve collaboration between GCCs and their overseas parent organisations through regular meetings and feedback. Third, evolving a healthy and pleasurable work culture through seeking regular employee feedback on the issue of potential burnout. In other words, setting optimal working hours with adequate breaks in between should mitigate the issue of unhealthy work environments.

Declaration of Conflicting Interests

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